

**Subject: File No. S7-04-23**

**From: John Kim**

As an individual deeply involved in the cryptocurrency and digital assets space, I am deeply concerned about the proposed legislation "Safeguarding Advisory Client Assets" and the potential overreach by the SEC. While I understand the need for investor protection and ensuring the safety of client assets, it is crucial to consider the nuances and complexities of the cryptocurrency industry before imposing stringent regulations. Firstly, it is important to recognize that cryptocurrencies and digital assets operate in a decentralized manner, which sets them apart from traditional financial systems. The SEC's attempt to apply the same regulatory framework designed for centralized financial institutions may not be appropriate or effective in this context. It is crucial to develop a nuanced approach that acknowledges the unique characteristics of cryptocurrencies while still ensuring investor protection. Furthermore, it is worth noting that existing laws already provide a level of protection for investors in the cryptocurrency space. For example, the Securities Act of 1933 and the Securities Exchange Act of 1934 already regulate the offering and trading of securities, including certain types of digital assets. These laws require issuers to provide accurate and transparent information to investors, ensuring they can make informed decisions. Therefore, imposing additional regulations specifically targeting cryptocurrencies may be redundant and burdensome. Additionally, the proposed legislation fails to consider the rapid pace of innovation in the cryptocurrency industry. The SEC's approach to regulating digital assets should be flexible and adaptable to accommodate the evolving nature of this technology. Imposing rigid regulations could stifle innovation and hinder the growth of the industry, ultimately limiting the potential benefits it can bring to the economy. Moreover, the proposed legislation may have unintended consequences that could negatively impact market participants and investors. By imposing stringent regulations, the SEC may inadvertently drive cryptocurrency-related activities underground or offshore, where they would be beyond the reach of U.S. regulators. This would not only undermine the SEC's goal of investor protection but also hinder the ability to monitor and regulate these activities effectively. It is also important to consider the global nature of the cryptocurrency industry. Cryptocurrencies operate on a global scale, and imposing strict regulations in one jurisdiction may lead to regulatory arbitrage, where market participants simply move their operations to jurisdictions with more favorable regulatory environments. This could result in a loss of economic activity and innovation within the United States, as businesses and investors seek more favorable regulatory climates elsewhere. Furthermore, the proposed legislation may create unnecessary burdens for small businesses and startups in the cryptocurrency space. Compliance with complex regulatory requirements can be costly and time-consuming, which could deter smaller players from entering the market and stifling competition. This could ultimately limit the growth and development of the cryptocurrency industry, preventing it from reaching its full potential as a driver of economic growth and innovation. In conclusion, while investor protection is of utmost importance, it is crucial for the SEC to approach the regulation of cryptocurrencies and digital assets with nuance and consideration for the unique characteristics of this industry. Existing laws already provide a level of protection for investors, and imposing additional regulations may be redundant and burdensome. The SEC should also take into account the rapid pace of innovation in the cryptocurrency space and ensure that regulations are flexible enough to accommodate this evolving technology. By doing so, the SEC can strike a balance between investor protection and fostering innovation, ultimately benefiting both market participants and the economy as a whole. Thank you for your attention. John